



REVIEW OF THE
MOUNT VERNON VETERANS=HOME

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2000-48
June 21, 2000
www.auditor.state.mo.us



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2000

www.auditor.state.mo.us

The following areas of concern were discovered as a result of a review conducted by our office of the Mount Vernon Veterans' Home.

The Mount Vernon Veterans' Home nursing-care facility provides care to Missouri veterans who are unable to support or adequately care for themselves. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. To qualify for admission, applicants must be honorably discharged veterans of the U.S. Armed forces, residents of the state of Missouri for at least thirty days prior to the date of application for admission, and in need of nursing care for a chronic disability of physical ailment.

The cost of care is shared by the resident (based on the ability to pay), and the Federal Veterans' Administration, and the State of Missouri. Standards of care are established by the Federal Veterans' Administration, and the home is inspected annually to ensure compliance with these standards.

The facility conducts background checks prior to hiring its direct-care staff. This includes contacting the Missouri State Highway Patrol, the employee's former employer, and checking the Division of Agings' Employee Disqualification List. Documentation to support the background check with the Missouri State Highway Patrol and the employee's former employer is maintained; however, there is no documentation that the Division of Aging was contacted. Adequate documentation is necessary to ensure that only appropriate employees are hired for all direct-care positions.

In addition, the facility should consider expanding their background checks to include contacting the Department of Mental Health who maintains a listing of persons who have been administratively determined to have abused or neglected a Department of Mental Health client, and the Division of Family Services who maintains the Central Registry of Child Abuse and Neglect which contains information related to instances of actual or alleged child abuse.

The facility receives money from various resources and deposits it into bank accounts such as the Residents' Cash Fund account or the Assistance League Fund account. Money received by the facility on behalf of the residents (e.g., social security, pensions, etc.) is deposited into the Residents' Cash Fund account and is used for residents' monthly payments for room and board. Personal spending money of the residents can also be deposited into this account. Nominal amounts of cash can be obtained from the facility's cashier and deducted from this account. Collections from the vending machines and donations are deposited into the Assistance League Fund account.

(over)

YELLOW SHEET

This money is used by the Assistance League, a not-for-profit organization, to purchase goods and services for the benefit of all residents. During our review of the facility's procedures for handling transactions from these accounts we noted the following weaknesses:

- Prenumbered receipt slips are not always issued for monies received for the Assistance League Fund.
- The Facility has adopted a policy whereby interest income of the Residents' Cash Fund account is to be expended for the benefit of all residents with the approval of the facility's resident council and administrative personnel. In order for residents to use the Residents' Cash Fund account, they are required to sign a form that states they will not receive interest earned on their monies. Interest is not credited to each individual resident's account. Interest earned on resident funds amounted to \$2,819 and \$3,760 for the years ended June 30, 1999 and 1998, respectively. Donation of interest income by the residents should be voluntary and should not be made a condition of using the Residents' Cash Fund. The accounts of those residents who do not wish to donate their interest income should be credited with the interest earned on their monies.

On June 30, 1999, the Mount Vernon Veterans' Home controlled fixed assets totaling approximately \$557,000. Supervisory approval is not required for any dispositions or adjustments to the fixed asset listing. The lack of adequate procedures on dispositions and adjustments made to the asset balances results in a loss of control over inventory records.

Duties of recording and handling supply inventories are not adequately segregated. Physical counts of inventories are taken by the same employee responsible for the custody and record keeping of these inventories. In addition, no supervisory approval is required for adjustments to the inventory listing.

REVIEW OF THE
MOUNT VERNON VETERANS= HOME

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan, Governor
and
Gary Kempker, Director
Department of Public Safety
and
Missouri Veterans=Commission
and
Don Long, Administrator
Mount Vernon Veterans=Home
Mount Vernon, Missouri 65712

We have conducted a special review of the Mount Vernon Veterans=Home. The scope of our review included, but was not necessarily limited to, the two years ended June 30, 1999. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the Mount Vernon Veterans=Home.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility=s revenues, expenditures, contracts, rules, regulations, and other pertinent procedures and documents, and interviewed facility personnel.

As part of our review, we assessed the facility=s management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and was not subjected to the procedures applied in the review of the Mount Vernon Veterans Home.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Mount Vernon Veterans Home.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

December 2, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF THE
MOUNT VERNON VETERANS= HOME
SUMMARY OF FINDINGS

1. Expenditures and Payroll Matters (pages 6-7)

The facility does not have procedures in place to verify the propriety of meal and laundry costs. Time sheets are not always approved by supervisors and new employee background check information is not adequately documented.

2. Residents= Cash and Assistance League Funds (pages 7-9)

Receipt slips are not issued for all monies received. The facility administrator is authorized to sign checks but is not adequately bonded. Interest earned on residents= monies held in the Residents= Cash Fund is not credited to each individual=s account. The facility does not have a written depositary agreement with their bank.

3. Fixed Asset Records and Procedures (page 9)

Supervisory approval is not required for dispositions or adjustments to the fixed asset listing.

4. Inventory Records and Procedures (pages 9-10)

The duties of recording and handling inventories are not adequately segregated. Inventory requisitions are not always documented resulting in inaccurate perpetual inventory records.

REVIEW OF THE
MOUNT VERNON VETERANS= HOME
MANAGEMENT ADVISORY REPORT

1.	Expenditures and Payroll Matters
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- A. The facility paid approximately \$594,657 and \$606,122 for resident meals and \$187,064 and \$158,773 for laundry service to the Missouri Rehabilitation Center (MRC) during the years ended June 30, 1999 and 1998, respectively. An invoice is received from MRC which indicates the number of meals provided along with an invoice for laundry service that indicates the weight of items laundered. The facility does not have procedures in place to verify the accuracy of the number of meals charged or the weight of the items laundered. Such verification is necessary to ensure charges are accurate and valid.
- B. Although employees do prepare time sheets, they are not always approved by supervisors. Detailed time records approved by each employee=s supervisor are necessary to ensure payments for salaries are accurate. In addition, proper documentation helps ensure compliance with the Fair Labor Standards Act which requires that the employees maintain accurate records of actual time worked and ensures the facility is paying the appropriate compensation.
- C. The facility conducts background checks prior to hiring its direct-care staff. This includes contacting the Missouri State Highway Patrol (MSHP), the employee=s former employer, and checking the Division of Agings= Employee Disqualification List (EDL). Documentation to support the background check with the MSHP and the employee=s former employer is maintained; however, there is no documentation that the Division of Aging was contacted. Adequate documentation is necessary to ensure that only appropriate employees are hired for all direct-care positions.

In addition, the facility should consider expanding their background checks to include contacting the Department of Mental Health (DMH) who maintains a listing of persons who have been administratively determined to have abused or neglected a DMH client, and the Division of Family Services who maintains the Central Registry of Child Abuse and Neglect which contains information relating to instances of actual or alleged child abuse.

WE RECOMMEND the facility:

- A. Develop procedures to ensure the validity or propriety of meal and laundry expenditures.
- B. Ensure all time sheets are properly approved by supervisors.

- C. Ensure that all employee background check information is adequately documented, and consider expanding employee background checks to include the Department of Mental Health Employee Disqualification List and the Central Registry of Child Abuse and Neglect.

AUDITEE'S RESPONSE:

- A. *The facility is developing and implementing a policy and procedure to insure the meal count and laundry weights are verified by the facility staff at random times throughout the year. The procedure will verify the information provided by the Missouri Rehabilitation Center is accurate prior to processing the monthly bills. This procedure should be in place and fully functioning by October 1, 2000.*
- B. *An electronic timekeeping system has been installed in the facility to use and electronic time cards have been issued to all employees. Procedures are being developed for the supervisors to approve these electronic records. The procedure will be implemented prior to January 1, 2001.*
- C. *The Division of Aging Nurse Aide registry (which references to the division's EDL) is being checked on all employees prior to working at the facility and the Department of Public Safety completes criminal background checks immediately after employment. The Director of Nursing now formally notes in the upper right hand corner of the employee application the date and results of the Nurse Aide registry response. Both of these procedures are in compliance with current Missouri Nursing Home Regulations and RSMo 660.315 - 660.420 and are currently in place and working in this facility.*

2. Residents= Cash and Assistance League Funds

The facility receives money from various resources and deposits it into bank accounts such as the Residents= Cash Fund (RCF) account or the Assistance League Fund (ALF) account. Money received by the facility on behalf of the residents (e.g., social security, pensions, etc.) is deposited into the RCF account and is used for residents= monthly payments for room and board. Personal spending money of the residents can also be deposited into this account. Nominal amounts of cash can be obtained from the facility=s cashier and deducted from this account. Collections from the vending machines and donations are deposited into the ALF account. This money is used by the Assistance League, a not-for-profit organization, to purchase goods and services for the benefit of all residents. During our review of the facility=s procedures for handling transactions from these accounts, we noted the following weaknesses:

- A. Prenumbered receipt slips are not always issued for monies received for the ALF. Issuing and accounting for the numerical sequence of prenumbered receipt slips provides assurance that all monies received have been accounted for and properly recorded.

- B. Disbursements are made from ALF by means of checks signed by either the ALF treasurer or the Veterans= Home Administrator. The treasurer is covered by a \$60,000 bond, however, the administrator is not bonded.

To properly safeguard assets, all individuals with the authority to sign checks or who have access to cash should be adequately bonded.

- C. The facility has adopted a policy whereby interest income of the RCF account is to be expended for the benefit of all residents with the approval of the facility's resident council and administrative personnel. In order for residents to use the RCF account, they are required to sign a form that states they will not receive interest earned on their monies. Interest is not credited to each individual residents account. Interest earned on resident funds amounted to \$2,819 and \$3,760 for the years ended June 30, 1999 and 1998, respectively. Donation of interest income by the residents should be voluntary and should not be made a condition of using the RCF. The accounts of those residents who do not wish to donate their interest income should be credited with the interest earned on their monies.
- D. At June 30, 1999, the facility maintained \$565,529 in checking accounts, money market accounts, and certificates of deposit at primarily one bank. The facility does not have a written depositary agreement with this bank.

Written depositary agreements should be established with each depositary bank selected, outlining the services to be provided by the bank, the charges for the services, and the collateral to be pledged to secure the deposits.

WE RECOMMEND the facility:

- A. Issue prenumbered receipt slips for all monies received and account for their numerical sequence.
- B. Consider obtaining bond coverage for all individuals who are authorized to sign checks or who have access to cash.
- C. Revise their policy to allow residents to voluntarily donate their interest income to the RCF. The accounts of the residents who choose not to donate their interest should be credited with the interest earned on their accounts.
- D. Written depositary agreements should be obtained from each depositary bank which specifies the services to be provided and any applicable costs for these services.

AUDITEE'S RESPONSE:

- A. *Prenumbered printed receipts have been ordered for the Resident's Cash Fund and these receipts will be issued for all cash and checks received into this fund. A copy of each receipt will remain in the bound books for review and reconciliation of this account. This will be implemented not later than January 1, 2001.*

- B. *Surety bond coverage has been obtained for all employees to handle this fund through the State Risk Management Department in the amount of \$2,500,000 for all seven Missouri Veterans Homes. This amount is equal to one and one-half the amount of the total funds handled by employees. This bond will be in place prior to July 1, 2000.*
- C. *The policy is being changed to allow all residents who deposit money into the Resident Cash Fund to receive interest on all amounts over \$50. The facility has ordered new software to facilitate proper calculation of interest to each resident in this fund and will be implemented not later than January 1, 2001.*
- D. *Although bids were solicited and obtained prior to depositing funds of the Assistance League, no formal agreement was obtained. We are in the process of developing this agreement with the current banking institution and should be completed by November 1, 2000.*

3.	Fixed Asset Records and Procedures
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At June 30, 1999, the Mount Vernon Veterans= Home controlled fixed assets totaling approximately \$557,000. Supervisory approval is not required for any dispositions or adjustments to the fixed asset listing. The lack of adequate procedures on dispositions and adjustments made to asset balances results in a loss of control over inventory records

WE RECOMMEND the facility require supervisory review and approval for all dispositions or adjustments made to fixed asset balances.

AUDITEE'S RESPONSE:

Fixed assets are currently being transferred to the states=automated accounting system (SAM II) and should be completed by December 1, 2000. The facility Administrator currently reviews and approves disposition of all fixed assets and/or adjustments made to the fixed asset balance sheet. New procedures will be developed after reviewing the new reports and procedures for handling fixed assets under this accounting system.

4.	Inventory Records and Procedures
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- A. Duties of recording and handling supply inventories are not adequately segregated. Physical counts of inventories are taken by the same employee responsible for the custody and record keeping of these inventories. In addition, no supervisory approval is required for adjustments to the inventory listing.

Proper internal control requires physical inventories be conducted by persons who do not have record keeping or custodial duties. In addition, to ensure all adjustments to the inventory listing are valid, someone independent of record keeping and custody of inventory should review and approve all adjustments to the inventory listing.

- B. Inventory requisitions are not always adequately documented to indicate applicable changes in the inventory balances, and as a result perpetual inventory records are not always accurate. In our review of inventory items, four of the eleven items reviewed had perpetual inventory balances different from the quantity actually on hand. Accurate inventory records are necessary to properly account for and safeguard the inventories.

WE RECOMMEND the facility:

- A. Adequately segregate the duties of record keeping, handling, and performing physical counts of inventory items and require supervisory review and approval of adjustments made to inventory balances.
- B. Maintain complete and accurate inventory records and document requisitions to indicate applicable changes in the inventory balances.

AUDITEE'S RESPONSE:

- A. *Duties have been segregated from record keeping to the actual inventory. Two non-involved employees completed the 1999 inventory and the Administrator approved this inventory. The inventory will be completed annually and documented for facility records by two employees who are not involved in purchasing and/or accounting. This will be completed by July 1, 2000.*
- B. *New software has been ordered to assist the purchasing department in maintaining accurate monthly inventories. This will allow for entry and removal of all items in our inventory. This software will be in place and functioning by January 1, 2001.*

This report is intended for the information of the management of the Mount Vernon Veterans=Home and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MOUNT VERNON VETERANS' HOME HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Mount Vernon Veterans= Home originated from an executive order by the governor in 1982 authorizing the conversion of one wing of the Missouri Rehabilitation Center to a skilled-nursing care facility. Actual operations began in May 1983.

The Missouri Veterans' Commission operates six homes for veterans of the state. The homes are located in St. James, Mount Vernon, Mexico, Cape Girardeau, St. Louis, and Cameron. A seventh home in Warrensburg is under construction. Members of the Missouri Veterans=Commission, as of June 30, 1999, were:

<u>Members</u>	<u>Term Expires</u>
J.N. (Jack) Matthews, Chairman	November 2, 1999
Carl H. Niewoehner, Vice Chairman	November 2, 2001
Deborah I. Halter	November 2, 2000
Reginald L. Bassa	November 2, 2000

At June 30, 1999, there was one vacancy on the Commission.

The nursing-care facility provides care to Missouri veterans who are unable to support or adequately care for themselves. Residents of the facility are provided room, board, medication, therapy, personal care, and recreational and religious activities. To qualify for admission, applicants must be honorably discharged veterans of the U. S. Armed Forces, residents of the state of Missouri for at least thirty days prior to the date of application for admission, and in need of nursing care for a chronic disability or physical ailment.

The cost of care is shared by the resident (based on the ability to pay), the Federal Veterans=Administration, and the State of Missouri. Standards of care are established by the Federal Veterans=Administration, and the home is inspected annually to ensure compliance with these standards.

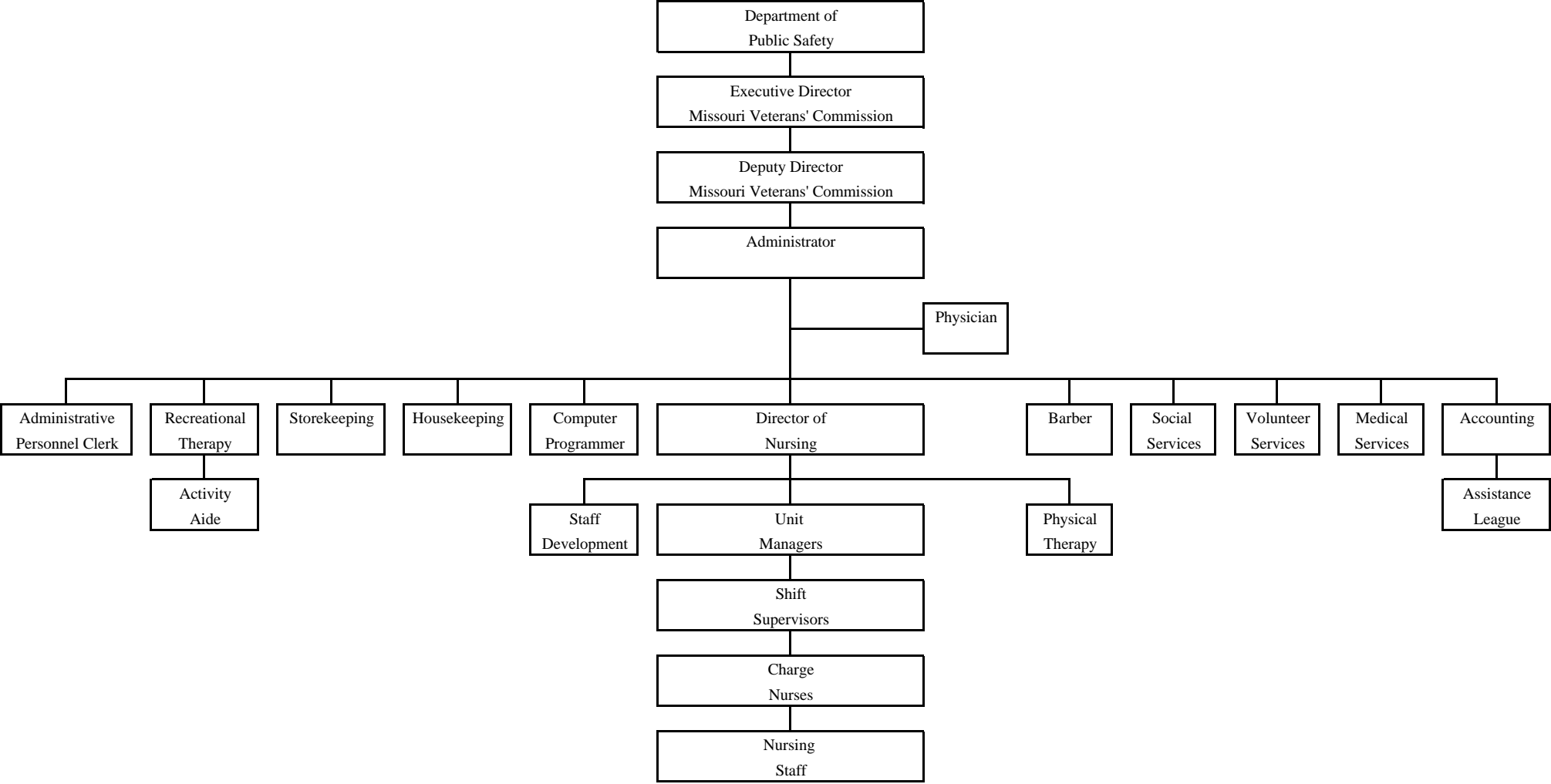
The Mount Vernon Veterans=Home Assistance League, a not-for-profit corporation, was formed to receive donations to be spent for the benefit of all residents of the facility.

At June 30, 1999, the Mount Vernon Veterans' Home had eighty-nine employees. These employees were assigned to various administrative and service sections. Martha Bartelsmeyer served as the Administrator of the facility until her resignation in March 1998. Becky Collette served as Interim Administrator. Don Long became Administrator in April 1998. Statistical data and an organization chart follow:

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS' COMMISSION
MISSOURI VETERANS' HOME - MOUNT VERNON
STATISTICAL DATA

	Year Ended June 30,	
	1999	1998
RESIDENTS	100	89
OCCUPANCY		
Total number of beds	103	103
Average daily census	96	95
Bed occupancy percentage	93%	92%
RESIDENT COST		
Total resident costs	\$ 3,199,391	3,161,109
Total resident days	35,118	34,524
Average Daily Resident Cost	\$ <u>91.10</u>	<u>91.56</u>

DEPARTMENT OF PUBLIC SAFETY
MISSOURI VETERANS' COMMISSION
MISSOURI VETERANS' HOME - MT. VERNON
ORGANIZATION CHART
JUNE 30, 1999



Appendix A

MOUNT VERNON VETERANS' HOME
COMPARATIVE SCHEDULE OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30, 1999			Year Ended June 30, 1998		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE	\$					
Personal service	731,805	730,026	1,779	715,097	714,050	1,047
Expense and equipment	47,794	47,794	0	51,061	51,060	1
Total General Revenue Fund - State	<u>779,599</u>	<u>777,820</u>	<u>1,779</u>	<u>766,158</u>	<u>765,110</u>	<u>1,048</u>
MISSOURI VETERANS' HOME FUND						
Personal service	1,116,749	1,094,481	22,268	1,035,657	1,035,473	184
Expense and equipment	1,219,814	1,202,906	16,908	1,171,337	1,169,764	1,573
Personal service and/ or expense and equipment	170,520	117,966	52,554	179,880	183,262	(3,382)
Total Missouri Veterans' Home Fund	<u>2,507,083</u>	<u>2,415,353</u>	<u>91,730</u>	<u>2,386,874</u>	<u>2,388,499</u>	<u>(1,625)</u>
VETERANS' TRUST FUND	7,500	6,218	1,282	7,500	7,500	0
Total All Funds	\$ <u><u>3,294,182</u></u>	<u><u>3,199,391</u></u>	<u><u>94,791</u></u>	<u><u>3,160,532</u></u>	<u><u>3,161,109</u></u>	<u><u>(577)</u></u>

Appendix B

MOUNT VERNON VETERANS' HOME

COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	1999	1998
Personal service	\$ 1,826,049	1,807,583
Travel and vehicle:		
Travel	6,106	6,161
Other expense	270	1,465
Equipment purchases	0	0
Office and communication:		
Expense	32,624	22,222
Equipment purchases	19,801	1,072
Institution and physical plant:		
Food and food service	625,214	640,008
Fuel and utilities	68,106	75,704
Drugs and medicine	114,819	122,143
Laundry service	187,064	158,785
Housekeeping supplies	17,804	19,420
Maintenance services	33,641	39,716
Medical and laboratory expense	120,238	137,351
Other expense	4,770	1,523
Equipment purchases	3,155	11,138
Data processing expense and equipment	13,335	990
Professional services	91,122	58,262
Other expense	35,273	57,566
Total Expenditures	\$ 3,199,391	3,161,109

Appendix C

MOUNT VERNON VETERANS' HOME
COMPARATIVE SCHEDULE OF RECEIPTS
MISSOURI VETERANS' HOME FUND

		Year Ended June 30,	
		1999	1998
Payments from Veterans	\$	1,382,675	1,304,712
Veterans' Administration Per Diem		1,432,687	1,380,126
Other		157	134
Total Receipts	\$	<u>2,815,519</u>	<u>2,684,972</u>

Appendix D

MOUNT VERNON VETERANS' HOME

AUXILIARY FUNDS

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
AND CASH EQUIVALENTS

	Year Ended June 30,			
	1999		1998	
	Members Cash Fund	Assistance League Fund	Members Cash Fund	Assistance League Fund
RECEIPTS				
Sales	\$ 0	89	0	194
Residents' deposits	1,488,790	0	1,423,245	0
Interest income	2,819	15,457	3,760	2,551
Donations	0	366,504	0	21,645
Total Receipts	<u>1,491,609</u>	<u>382,050</u>	<u>1,427,005</u>	<u>24,390</u>
DISBURSEMENTS				
Resident's withdraws	1,500,440	0	1,452,362	0
Cost of goods sold	0	110	0	127
Benefit of residents	1,095	22,734	3,273	37,579
Total Disbursements	<u>1,501,535</u>	<u>22,844</u>	<u>1,455,635</u>	<u>37,706</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-9,926	359,206	-28,630	-13,316
CASH, AND CASH EQUIVALENTS JULY 1	<u>112,986</u>	<u>103,799</u>	<u>141,616</u>	<u>117,115</u>
CASH, AND CASH EQUIVALENTS JUNE 30	<u>\$ 103,060</u>	<u>463,005</u>	<u>112,986</u>	<u>103,799</u>
